

## ACCIONA Real Estate, advancing steadily

The gradual economic recovery in Spain is attracting offers from investors and improving the outlook for business. The company has reinforced its position in Spain and strengthened its commitment to real estate in other countries.

Every aspect of the real estate sector continued to be affected by the general macroeconomic situation in 2013.

In Spain, easing of financial tensions and growth in exports are starting to drive the recovery in domestic demand.

Growth by the Spanish economy was insufficient to avoid a decline in GDP by close to -1.3% in the year.

The labor market is stabilizing and is approaching a turning point, albeit slowly: unemployment has declined for five consecutive months.

Real estate indicators reveal that investment in housing continues to decline. The contraction in new housing starts continues, although at a more moderate pace, resulting in a reduction in the number of new constructions.

In 2013, home sales in Spain were at their lowest level since 2007, when the historical series first began. Barely 300,000 units were sold in the year. Home prices continue to decline, although at a slower pace.

Sareb was created as a result of banks' urgent need to restore their balance

sheets to health; and banks such as Santander, Popular, Caixabank, Bankia and Caixa Catalunya continued with the process of selling their real estate management divisions to various funds.

As regards the rental business, the occupancy rate of offices and of industrial and logistics buildings is very low as a result of the economic crisis, and this is the main challenge facing the market.

Office lease performance differed notably between Spain's two main office markets: a sizeable 33% expansion in Madrid, contrasting with a slight decline in Barcelona in 2013.

Investment in rental space approached a turning point in the second half of the year. Investment volume expanded by 7% compared with 2012, and the number of transactions increased notably, from 13 in 2012 to 26 in 2013. The situation has changed due to the better economic outlook in Spain (risk premium), which is attracting investors and raising sellers' expectations.

However, the credit crunch and low occupancy rates persisted in 2013, hindering greater market activity.

ACCIONA  
Real Estate obtained  
**66.2 M€**  
in turnover in 2013

In this context, ACCIONA Real Estate ended the year with turnover of 66.2 million euros, of which 53% corresponds to home sales and 47% to rentals.

### 1. REAL ESTATE DEVELOPMENT

ACCIONA Real Estate sold 168 homes in 2013: 19 units in Spain, and the remainder in Mexico, Portugal and, mainly, in Poland.

It also delivered 125 homes to customers in 2013, of which 19% were in Spain and 81% were in other countries.

#### 1a. Real estate development in Spain

The Company maintained its discount policy on all of its developments in Spain. The policy, initially applied in 2009, is enabling the company to sell finished homes despite market difficulties.

In 2013, ACCIONA continued to focus on foreign buyers interested in coastal properties (Catalonia and the Canary Islands).

Zoning processes became more complicated in 2013 due to growing intervention by the courts in land use planning.

Despite such an adverse scenario, ACCIONA Real Estate continued to maintain and monetize land in 2013.

#### 1b. International real estate development

The company was especially active in the residential property business in **Mexico**.

ACCIONA Real Estate increased exposure to Mexico through subsidiary Parque Reforma Santa Fe, selling 68 luxury homes and delivering 27 units to customers.

Parque Reforma Santa Fe completed construction of Phase 2A of the Parque Reforma – Cumbres de Santa Fe luxury apartments in Mexico City. A total of 60 of the 62 homes in that phase had been sold by 2013 year-end, and 12 were delivered in December. Phase 2B of the complex will commence in April; 47 units of a total of 64 have already been sold.

## Good banking conditions make Mexico an appropriate market to continue our growth strategy

In Acapulco, 14 homes were delivered to customers as part of the second phase of the Playamar Tres Cantos project. This extensive beachfront development with views of the Pacific Ocean and more than 21,000 m<sup>2</sup> of green areas, swimming pools and a clubhouse, is Parque Reforma's fourth project in Acapulco, where it has already delivered more than 600 homes.

The **Mexican** market benefited in 2013 from favorable banking conditions and an increase in the number of loans and in total lending. Consumer confidence also increased, and buyers are increasingly choosing high-rise homes. These factors make Mexico an ideal market to continue with our growth strategy.

The company continued major efforts to reduce its housing stock in **Poland**.

It sold 28 homes on Panska Street, in Warsaw's financial district, and 52 homes in the Wilanów development, near Warsaw's Wilanów Palace, a former royal residence. The sale of these 80 homes reduced stock by almost 74%.

ACCIONA Real Estate continues to operate in Brazil through projects in Penedo (Rio de Janeiro state) and Guarujá (São Paulo state). The company sold a plot of land in Guarujá in 2013.

### 2. PROPERTY RENTALS

Real estate rentals in 2013 provided 31.3 million euros in turnover.

The Company ended the year with 73,548 m<sup>2</sup> of **office space** under lease in Madrid, Barcelona, Sabadell and Zaragoza, and an occupancy rate of close to 90%, i.e. on par with previous years.

ACCIONA Real Estate continued to divest non-core assets in 2013, such as the D office building in the Albatros Complex, in Alcobendas, Madrid, with a total area of 15,138 m<sup>2</sup> and 261 parking spaces.

As regards **home rentals**, Compañía Urbanizadora del Coto, S.L. (owned 50% by ACCIONA Real Estate), which has a portfolio of 853 homes in Madrid, ended the year with an average occupancy rate of 82%.

ACCIONA Real Estate continued to operate **student residences** in 2013, with space for close to 1,200 in Albacete, Murcia, Lérida, Castellón and Cádiz under its CAMPUS brand, ending the year with an occupancy rate of over 68%.

In the **hotel sector**, Hotel Condal Mar in Barcelona continued to operate in 2013 under the management of the Sol Meliá Group and its TRYP brand.

The Company retained ownership and management of Hotel Club Marítimo, in Sotogrande, a 41-room boutique hotel under the Small Luxury Hotels of the World brand.

The five-star Hotel Estrella del Mar in Marbella strengthened its market position. Its 4,000-m<sup>2</sup> beach club with spa, tropical gardens, gym and restaurant, with views of the sea, complement the hotel accommodation and establish it as a leading resort hotel.

### 3. ADVANCING IN SUSTAINABILITY, R&D AND INNOVATION

ACCIONA Real Estate, committed to sustainability, is aware of its impact on the surroundings. To preserve and harness resources, the Company applies conservation guidelines to all its day-to-day processes.

Its involvement in this area is reinforced by its active participation in the EU's "Clear-up" R&D and innovation project, which pursues the goal of buildings with comfortable, healthy, environmentally-friendly living spaces.

As regards Parque Reforma's Cumbres de Santa Fe I development (Mexico City), 140 homes obtained the Efficiency certificate (the second-highest of the three existing certification categories), under Mexico City's Sustainable Certification and Environmental Efficiency Program, the goal of which is to preserve natural resources and improve citizens' living standards.

New homes in the same development are being built with a view to obtaining the highest certification ("Excellent") under that same program.

## ACCIONA Real Estate at market prices

APPRAISALS OF THE GROSS ASSET VALUE (GAV) OF REAL ESTATE ASSETS, DEVELOPMENTS, INVESTMENT PROPERTIES AND FIXED ASSETS BY SEVERAL INDEPENDENT APPRAISERS TOTALLED 1.401 BILLION EUROS (2013 PRICES), BROKEN DOWN AS FOLLOWS:



Pre-tax cumulative capital gains on those assets amounted to 167 million euros at year-end.